



1911 Gold Corporation

# Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in thousands of Canadian dollars)

**For the three months ended  
March 31, 2021 and 2020**

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## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and reviewed by the Audit Committee and Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.



## Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in thousands of Canadian dollars)

	Note	March 31, 2021	December 31, 2020
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		5,196	10,029
Inventories	5	1,949	2,785
Prepaid expenses and other		774	506
		7,919	13,320
<b>Non-current</b>			
Mineral properties, plant and equipment, net	6	34,062	34,301
<b>TOTAL ASSETS</b>		<b>41,981</b>	<b>47,621</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	2,058	1,733
Accrued compensation and benefits		344	785
Flow-through share premium liability	8	57	632
		2,459	3,150
<b>Non-current</b>			
Reclamation obligations	9	2,856	2,819
<b>TOTAL LIABILITIES</b>		<b>5,315</b>	<b>5,969</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	25,659	25,594
Share-based payment reserve	10	920	916
Contributed surplus		130,106	130,106
Deficit		(120,019)	(114,964)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>36,666</b>	<b>41,652</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>41,981</b>	<b>47,621</b>

**Nature of operations** – Note 1

**Commitments and Contingencies** – Note 14

**On behalf of the Board:**

/s/ Mike Hoffman  
Chairman

/s/ James Haggarty  
Director



## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

### For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)

	Three months ended		
	Note	March 31	
		2021	2020
		\$	\$
<b>REVENUES</b>		1,225	-
<b>Cost of sales</b>			
Production costs		2,823	1,873
Depreciation and depletion		604	705
		(2,202)	(2,578)
<b>Other operating expenses</b>			
General and administrative		437	469
Exploration expense		2,966	1,278
<b>Loss from operations</b>		(5,605)	(4,325)
Flow-through premium recovery	8	575	465
Foreign currency gain (loss), net		2	(1)
Interest income		5	26
Other income		6	-
Reclamation obligation accretion		(37)	(45)
Loss on equipment disposal		(1)	-
<b>Net loss and comprehensive loss for the period</b>		(5,055)	(3,880)
<b>Loss per share</b>			
Basic and diluted		(0.11)	(0.10)
<b>Weighted average number of shares outstanding</b>			
Basic and diluted		46,548,395	38,123,338



## Condensed Interim Consolidated Statement of Cash Flows

### For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)

	Three months ended		
	March 31		
	Note	2021	2020
		\$	\$
<b>CASH (USED IN) PROVIDED BY:</b>			
<b>Operating activities</b>			
Net loss and comprehensive loss for the period		(5,055)	(3,880)
Depreciation and depletion		398	705
Flow-through premium recovery	8	(575)	(465)
Accretion on reclamation obligation	9	37	45
Share-based payments	10	67	32
Foreign currency (gain) loss, net		(2)	1
Loss on disposal of equipment		1	-
Changes in non-cash working capital items			
Inventories		836	(75)
Prepaid expenses and other		(268)	(228)
Accounts payable		43	398
Accrued compensation and benefits		(157)	(131)
		(4,675)	(3,598)
<b>Investing activities</b>			
Expenditures on mineral property, plant and equipment		(160)	(48)
Change in accounts payable related to expenditures on mineral properties, plant and equipment		-	32
		(160)	(16)
<b>Financing activities</b>			
Exercise of options		2	-
		2	-
<b>Decrease in cash</b>		<b>(4,833)</b>	<b>(3,614)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>		<b>10,029</b>	<b>9,630</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		<b>5,196</b>	<b>6,016</b>

Supplemental cash flow information – Note 13



## Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - expressed in thousands of Canadian dollars)

	Note	Number of common shares	Share capital \$	Share-based payment reserve \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance, December 31, 2019</b>		37,975,729	21,749	567	130,106	(108,863)	43,559
Exercise of RSUs	10	213,335	62	(62)	-	-	-
Share-based payments	10	-	-	32	-	-	32
Loss for the period		-	-	-	-	(3,880)	(3,880)
<b>Balance, March 31, 2020</b>		38,189,064	21,811	537	130,106	(112,743)	39,711
Shares Issued by private placement	10	8,200,000	5,208	-	-	-	5,208
Less: share issuance costs	10	-	(402)	62	-	-	(340)
Flow-through share premium	8	-	(1,026)	-	-	-	(1,026)
Exercise of options	10	6,666	3	(1)	-	-	2
Share-based payments	10	-	-	318	-	-	318
Loss for the period		-	-	-	-	(2,221)	(2,221)
<b>Balance, December 31, 2020</b>		46,395,730	25,594	916	130,106	(114,964)	41,652
Exercise of RSUs	10	213,330	62	(62)	-	-	-
Exercise of options	10	6,666	3	(1)	-	-	2
Share-based payments	10	-	-	67	-	-	67
Loss for the period		-	-	-	-	(5,055)	(5,055)
<b>Balance, March 31, 2021</b>		<b>46,615,726</b>	<b>25,659</b>	<b>920</b>	<b>130,106</b>	<b>(120,019)</b>	<b>36,666</b>

# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)



## 1. NATURE OF OPERATIONS

1911 Gold Corporation (“1911 Gold” or the “Company”) is engaged in the acquisition, exploration, development and extraction of precious metals. The Company owns and operates the Rice Lake property which holds the True North gold mine and mill (“True North”), as well as the Apex property near Snow Lake, Manitoba and the Denton-Keefer and Tully properties near Timmins, Ontario. The Company was incorporated under the British Columbia Business Corporations Act on May 3, 2018 and is listed publicly on the TSX Venture Exchange (“TSX-V”) under the symbol “AUMB” and the OTCQX Best Market under the symbol “HAVXF”. The Company’s registered office is located at 666 Burrard Street, 25<sup>th</sup> Floor, Vancouver, British Columbia, V6C 2X8.

## 2. BASIS OF PRESENTATION

### Statement of compliance and functional currency

These condensed interim consolidated financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements were approved by the Board of Directors on May 26, 2021. These condensed interim consolidated financial statements have been prepared on a historical cost basis.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company’s Canadian entities. The functional currency of the Company’s foreign entity is US dollars. The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated.

## 3. ACCOUNTING POLICIES

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the most recent audited annual financial statements for the Company for the year ended December 31, 2020.

### Accounting standards issued but not yet effective

#### *IAS 16 Property, Plant and Equipment*

On May 14, 2020, the International Accounting Standards Board published an amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds received from selling items produced while bringing that asset for its intended use. Instead, proceeds received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of this amendment on its consolidated financial statements.

As at March 31, 2021, there are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.



## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS AND COVID-19

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of gain and expenses during the reporting period. Such estimates and assumptions, which by their nature are uncertain, affect the carrying value of assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

### COVID-19

The Company's business could be adversely affected by the effects of the continued outbreak of respiratory illness caused by the novel coronavirus ("COVID 19"). Several significant measures have been implemented in Canada and the rest of the world by authorities in response to the ongoing impact of COVID-19. While the Company has experienced only nominal impacts to the supply chain, the Company cannot accurately predict the impact COVID 19 will have on the future ability of third parties to provide necessary supplies to the Company resulting from uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the nature and length of travel and quarantine restrictions imposed by governments of affected countries. The continued prevalence of the COVID-19 globally could materially and adversely impact the Company's business including, without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill programs and other factors that depend on future developments beyond the Company's control. In addition, the significant outbreak of a contagious disease has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada), resulting in a potential economic downturn that may negatively impact the Company's financial position, financial performance, cash flows, and its ability to raise capital.

## 5. INVENTORIES

	March 31 2021	December 31 2020
	\$	\$
<b>PRODUCTION RELATED INVENTORIES:</b>		
Supplies	1,294	966
In-process	510	540
Doré finished goods	145	1,279
	<b>1,949</b>	<b>2,785</b>

As at March 31, 2021, the in-process and doré finished goods inventories included approximately \$91 and \$26 respectively (December 31, 2020 - \$96 and \$227) of capitalized non-cash depreciation and depletion costs.

During the periods ended March 31, 2021 and December 31, 2020, no write-downs were made on inventory.



# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)



## 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Plant and equipment	Mineral properties	Total
	\$	\$	\$
<b>COST:</b>			
Balance at December 31, 2019	29,249	61,922	91,171
Additions	121	-	121
Change in estimate of reclamation obligation	-	9	9
Balance at December 31, 2020	29,370	61,931	91,301
Additions	160	-	160
Change in estimate of reclamation obligation	(85)	-	(85)
Balance at March 31, 2021	29,445	61,931	91,376
<b>ACCUMULATED DEPRECIATION AND DEPLETION</b>			
Balance at December 31, 2019	(23,469)	(30,799)	(54,268)
Additions	(2,732)	-	(2,732)
Balance at December 31, 2020	(26,201)	(30,799)	(57,000)
Additions	(398)	-	(398)
Disposals	84	-	84
Balance at March 31, 2021	(26,515)	(30,799)	(57,314)
<b>NET - DECEMBER 31, 2020</b>	<b>3,169</b>	<b>31,132</b>	<b>34,301</b>
<b>NET MARCH 31, 2021</b>	<b>2,930</b>	<b>31,132</b>	<b>34,062</b>

Plant and equipment at March 31, 2021 includes \$155 (December 31, 2020 - \$49) of construction in progress.

As a result of the shutdown of mining operations in 2019 and the focus on exploration activity for the foreseeable future, all the Company's mineral properties are considered to be in the exploration phase.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
	\$	\$
Accounts payable	1,679	1,313
Accrued liabilities	379	420
	<b>2,058</b>	<b>1,733</b>

# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)



## 8. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the issued flow-through shares:

	\$
<b>Balance at December 31, 2019</b>	739
Liability incurred on flow-through shares issued during the year	1,026
Settlement of flow-through share liability on incurred expenditures	(1,133)
<b>Balance at December 31, 2020</b>	<b>632</b>
Settlement of flow-through share liability on incurred expenditures	(575)
<b>BALANCE AT MARCH 31, 2021</b>	<b>57</b>

On July 14, 2020, the Company issued 8,200,000 flow-through common shares for gross proceeds of \$5,208. The Flow-Through Shares were issued in two tranches with tranche one consisting of 4,275,000 Flow-Through Shares (the "Premium FT Shares") issued to purchasers residing in Manitoba at a price of \$0.75 per Premium FT Share for aggregate gross proceeds of \$3,206 and tranche two consisting of 3,925,000 Flow-Through Shares (the "National FT Shares") issued to purchasers residing outside of Manitoba at a price of \$0.51 per National FT Share for aggregate gross proceeds of \$2,002. No premium was recorded on the National FT shares and a premium of \$0.24 per share was recorded for the Premium FT shares.

During the year ended December 31, 2020, the Company incurred \$4,032 of eligible flow-through expenditures, representing 100% of the previous commitment from flow-through shares issued in March 2019 and 39% of the flow-through share issued in July 2020. A total flow-through share premium liability of \$575 was amortized to flow-through premium recovery on the statement of loss and comprehensive loss during the three months ended March 31, 2021 (2020 – \$465).

## 9. RECLAMATION OBLIGATION

The reclamation obligation is related to True North and is estimated based upon the present value of expected cash flows using estimates of inflation and a credit adjusted risk-free discount rate. The undiscounted amount of cash flows required to settle the reclamation obligation was estimated at \$7,449 as at March 31, 2021 (December 31, 2020 – \$7,449).

The key assumptions on which the provision estimates were based in the three months ended March 31, 2021 and the year ended December 31, 2020 are:

- Expected timing of the cash flows occurs between 2023-2041 based on the estimated useful life of True North.
- The inflation rate used for the three months ended March 31, 2021 is 1.30% (year ended December 31, 2020 – 1.30%).
- The discount rate used for the three months ended March 31, 2021 is 5.24% (year ended December 31, 2020 – 5.24%).

# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)



The following table provides a summary of changes in the reclamation obligation:

	\$
<b>Balance at December 31, 2019</b>	2,630
Accretion expense	180
Change in estimate	9
<b>Balance at December 31, 2020</b>	2,819
Accretion expense	37
<b>BALANCE AT MARCH 31, 2021</b>	<b>2,856</b>

## 10. SHARE CAPITAL

a) **Authorized:** Unlimited common shares without par value.

b) **Shares issued**

### Private Placements

On July 14, 2020, the Company completed a private placement by issuing 8,200,000 flow-through common shares for gross proceeds of \$5,208 (the "Offering"). The Flow-Through Shares were issued in two tranches with tranche one consisting of 4,275,000 Flow-Through Shares (the "Premium FT Shares") issued to purchasers residing in Manitoba at a price of \$0.75 per Premium FT Share for aggregate gross proceeds of \$3,206 and tranche two consisting of 3,925,000 Flow-Through Shares (the "National FT Shares") issued to purchasers residing outside of Manitoba at a price of \$0.51 per National FT Share for aggregate gross proceeds of \$2,002.

In connection with the Offering, the Company issued the underwriters non-transferable broker warrants of the Company ("Broker Warrants") equal to 4.0% of the aggregate number of Flow-Through Shares issued, and a reduced number of Broker Warrants equal to 2.0% of the aggregate number of Flow-Through Shares issued to certain purchasers on the "President's List". Each Broker Warrant is exercisable to acquire one common share in the capital of the Company at an exercise price of \$0.60 per share until January 14, 2022.

### Shares issued on exercise of RSUs

On January 15, 2020, 166,667 RSUs were exercised and on March 16, 2020, 46,668 RSUs were exercised. Each RSU was converted into one common share of the Company.

On January 15, 2021, 166,666 RSUs were exercised and on March 15, 2021, 46,664 RSUs were exercised. Each RSU was converted into one common share of the Company.

### Shares issued on exercise of options

On July 22, 2020, 6,666 shares were issued related to the exercise of stock options by an employee of the Company.

On February 18, 2021, 6,666 shares were issued related to the exercise of stock options by an employee of the Company.

### a) Options

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees, and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors.

# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)



The options vest as to one-third immediately and one-third after the first and second anniversary of the date of grant.

The Company's share options outstanding as at March 31, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
<b>Balance as at December 31, 2019</b>	2,960,000	0.33
Granted – August 5, 2020	275,000	0.77
Granted – August 27, 2020	760,000	0.78
Exercised	(6,666)	0.30
<b>Balance as at December 31, 2020</b>	3,988,334	0.45
Exercised	(6,666)	0.30
<b>BALANCE AS AT MARCH 31, 2021</b>	<b>3,981,668</b>	<b>0.45</b>

The total share-based payment expense recorded during the three months ended March 31, 2021 was \$66 (2020: \$11).

The following table summarizes information about the share options as at March 31, 2021:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years)	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
\$0.36	1,345,000	2.38	\$0.36	1,345,000	August 15, 2023
\$0.31	175,000	2.66	\$0.31	175,000	November 26, 2023
\$0.31	400,000	2.79	\$0.31	400,000	January 15, 2024
\$0.36	175,000	2.93	\$0.36	175,000	March 4, 2024
\$0.30	851,668	3.50	\$0.30	563,334	September 27, 2024
\$0.77	275,000	4.35	\$0.77	91,666	August 5, 2025
\$0.78	760,000	4.41	\$0.78	253,333	August 27, 2025

The fair value of options recognized has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

Grant date	Expected Option life (years)	Risk free interest rate	Dividend yield	Expected volatility <sup>(1)</sup>	Weighted average fair value
August 5, 2020	5.00	0.34%	nil	75%	\$0.46
August 27, 2020	5.00	0.41%	nil	75%	\$0.47

[1] As the Company does not have sufficient history of past share prices, the expected volatility was calculated by taking the average volatility of similar junior resource companies.

# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

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## b) Warrants

The Company's warrants outstanding as at March 31, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price \$
<b>Balance as at December 31, 2019</b>	2,665,833	1.62
Issued – July 14, 2020	324,400	0.60
<b>BALANCE AS AT DECEMBER 31, 2020 AND MARCH 31, 2021</b>	<b>2,990,233</b>	<b>1.51</b>

The balance of warrants outstanding as at March 31, 2021 is as follows:

Expiry Date	Exercise Price	Remaining Life (Years)	Warrants Outstanding
February 11, 2029	\$1.52	7.87	625,000
April 3, 2032	\$4.24	11.02	625,000
September 19, 2021	\$0.50	0.47	1,415,833
January 14, 2022	\$0.60	0.79	324,400

## c) Restricted share units ("RSU")

The Company's RSUs outstanding as at March 31, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number
<b>Balance as at December 31, 2019</b>	426,665
Exercised	(213,335)
<b>Balance as at December 31, 2020</b>	213,330
Exercised	(213,330)
<b>BALANCE AS AT MARCH 31, 2021</b>	<b>–</b>

The RSUs vested one-third upon approval by the Company's shareholders of the RSU plan at the Annual General Meeting held on June 18, 2019 and one-third after the first and second anniversaries from their initial grant date. Each RSU is convertible into one common share of the Company.

The share-based payment from the vesting of the RSUs for the three months ended March 31, 2021 was \$1 (2020: \$21).



## 11. RELATED PARTY TRANSACTIONS

### Key Management Compensation

During the three months ended March 31, 2021 and 2020, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended March 31	
	2021	2020
	\$	\$
Salaries and wages	304	311
Professional fees	5	–
Directors' fees	39	46
Share-based payments	22	31
	<b>370</b>	<b>388</b>

All fees have been reported as general and administrative expenses, with the exception of \$49 of salaries and wages that was included in exploration expense (2020 – \$48).

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

## 12. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

### Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders, and to explore and develop assets with a view to building a diversified mineral resource company.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

The Company manages the capital structure and adjusts it based on changes in economic conditions and the risk characteristics of the mineral property assets. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund activities. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2021.

### Financial Instruments

The Company's financial instruments consist of cash equivalents, deposits, accounts payable and accrued liabilities. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

The Company's activities potentially expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange currency risk, and commodity price risk.

# 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)



## **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. As at March 31, 2021, the Company had working capital (current assets less current liabilities) of \$5,460. Management believes that the Company has sufficient financial resources to meet its obligations as they come due.

## **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances, interest-bearing bank accounts and no interest-bearing debt.

## **Foreign Exchange Risk**

The Company's Canadian entities have a Canadian dollar functional currency. Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's historical foreign currency gains and losses primarily relate to amounts on intercompany loan balances and US dollar transactions with vendors.

## **Commodity Price Risk**

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. As of March 31, 2021, the Company itself had not entered into any agreements to mitigate its exposure to market price risk.

## **13. SUPPLEMENTAL CASH FLOW INFORMATION**

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements.

During the three months ended March 31, 2021 and 2020 no transactions were excluded from the statement of cash flows.

## **14. COMMITMENTS AND CONTINGENCIES**

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla acquired all the outstanding common shares of Klondex, and Klondex shareholders received consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, Havilah Mining Corporation, formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. ("Klondex Canada") and Bison Gold Resources, Inc. ("Bison").

Following completion of the plan of Arrangement Agreement involving Hecla and Klondex, the Company issued to Waterton Nevada Splitter, LLC ("Waterton") a warrant to acquire up to 625,000 common shares of the Company at an exercise price of \$4.24 per share and expiring April 3, 2032 (the "1911 Gold Replacement Warrant"). 1911 Gold Replacement Warrants were issued to Waterton along with a replacement warrant from Hecla (collectively the "Replacement Warrants") in accordance with the terms of the warrant certificate issued by Klondex to Waterton on October 3, 2016 (the "Original Warrant Certificate").

On September 11, 2018 Waterton filed a claim with the Ontario Superior Court of Justice alleging breach of contract against Hecla, Klondex Mines Unlimited Liability Company and the Company for failure to honour the terms of the Original Warrant Certificate and, or in the alternative, a declaration that the Replacement Warrants do not satisfy Hecla's obligations as successor-in-interest to Klondex's obligations under the Original Warrant Certificate and a new replacement warrant. Waterton claims, among other things, that the Replacement Warrants purport to apportion the value of the original Warrant Certificate between the Hecla and 1911 Gold warrants using the aggregate transaction value of the Arrangement (as determined unilaterally by Hecla), rather than protecting the economic value of the Original Warrant Certificate, and that

## 1911 Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in thousands of Canadian dollars)

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with the Replacement Warrants, Hecla and 1911 Gold failed to protect the economic value of Waterton's Original Warrant immediately prior to the consummation of the Arrangement. Instead it is alleged that in breach of contractual obligations, Hecla and the Company made an arbitrary allocation in a manner convenient to them, without regard for the economic value of the Original Warrant. The Company, as a party to this claim, defended the action, as did the other two defendants. On April 29, 2021, all parties signed a settlement and release from the claim, with no consequence to the Company, and the action was dismissed by the Ontario Superior Court of Justice.